

SURETY BOND GUIDANCE LANGUAGE FOR
OIL AND GAS WELLS and CLASS II UIC WELLS

Date bond executed: _____

Effective date: _____

Principal: (legal name and address of owner/operator)

Type of organization: (insert "individual," "joint venture," "partnership" or "corporation")

State of incorporation, if applicable: _____

Surety(ies): (Name(s) and business address(es)) _____

Permit number, well name, address, and plugging and/or reclamation amount for each well site guaranteed by this bond. (A list may be attached when bond covers multiple well sites): _____

Bond Type (Oil and Gas Plugging, Oil and Gas Reclamation, Class II UIC Plugging, Class II UIC Reclamation):

Total penal sum of this bond: \$ _____

Surety's bond number: _____

KNOW ALL PERSONS BY THESE PRESENTS, That we, the Principal, hereto are firmly bound to the Tennessee Department of Environment and Conservation (hereinafter called the Department), in the above penal sum for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sum "jointly and severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sum only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sum.

WHEREAS said Principal is required, under the Tennessee Production of Oil and Gas Act, Section 60-1-103, as amended, to have a permit in order to operate each oil and/or gas well identified above,

WHEREAS said Principal is required, under the Water Quality Control Act, Section 69-03-105, as amended, to have a permit in order to operate each Underground Injection Control well identified above,

WHEREAS said Principal is required to provide financial assurance for proper plugging and/or reclamation of said well site(s) as a condition of Department Rule 0400-52-01-.01 through 0400-52-01-.07, and/or Department Rule 0400-45-06, and any/all applicable laws and or Rules,

NOW, THEREFORE, the conditions of this obligation are such that if the Principal shall properly perform the plugging and/or reclamation of each well site, whenever required to do so, for which this bond guarantees proper plugging and/or reclamation in accordance with the permit and other requirements, as such permit may be amended, and pursuant to all applicable laws, statutes, rules, and regulations, as such laws, statutes, rules, and regulations may be amended;

OR, if the Principal shall provide alternate financial assurance, and obtain the written approval of such assurance from the Commissioner of the Department (hereinafter called Commissioner), within sixty (60) days after the date notice of cancellation is received by both the Principal and the Commissioner from the Surety(ies),

OR, a change of operator is approved by the Commissioner within sixty (60) days of approval, then this obligation shall be null and void. Otherwise, it is to remain in full force and effect.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Updated 10/10/13

Upon notification by the Commissioner that the Principal has been found in violation of the permit, the Act, or Rules promulgated pursuant thereto, the Principal shall, as directed by the Commissioner, perform plugging and/or reclamation in accordance with the permit and other requirements, and pursuant to all applicable laws, statutes, rules, and regulations, as such laws, statutes, rules, and regulations may be amended, or forfeit all or a portion of the penal sum of this bond to the Department.

Upon notification by the Commissioner that the Principal has failed to provide alternate financial assurance and obtain written approval of such assurance from the Commissioner during the sixty (60) days following receipt by both the Principal and the Commissioner of a notice of cancellation of the bond, and Principal fails to plug the well(s) and/or reclaim the well site, or effect a change of operator, the Commissioner may issue a notice of non-compliance to the surety to cause the well(s) to be plugged or forfeit the penal sum of this bond to the Department as directed by the Commissioner.

The surety will then be required to plug the well(s) and/or reclaim the well site within the timeframe specified in Department Rule 0400-52-01-.01 through 0400-52-01-.07, and/or Department Rule 0400-45-06. If any well has not been plugged and/or the well site(s) reclaimed within that time limit, then a notice of forfeiture will be issued. The surety will then have (21) twenty-one days in which to petition the Tennessee Board of Water Quality, Oil and Gas for a hearing relative to the bond forfeiture. If a hearing is requested, no further action will be taken against the bond until such hearing has taken place and a final order given by the Board. If the well is plugged and/or the well site reclaimed in the interim, then the notice of forfeiture will be canceled, the amount of the total sum of the bond designated for plugging released, and the amount of the total sum of the bond designated for reclamation reduced by one-third (1/3), unless such reduction has previously taken place. The remainder of the amount designated for reclamation shall be released upon completion of regrading and revegetation of all disturbed areas in accordance with Rule 0400-52-01-.03 of the State Oil and Gas Program,

The Surety(ies) hereby waive(s) notification of amendments to the permit, applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penal sum of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of the said penal sum.

The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the owner or operator and to the Commissioner, provided, however that cancellation shall not occur after the issuance of a Notice of Noncompliance, Citation, or Notice of Forfeiture, or during the 120 days beginning on the date of receipt of the notice of cancellation by both the Principal and the Commissioner, as evidenced by the return receipts.

The Principal may terminate this bond by sending written notice to the Surety(ies), provided, however, that no such notice shall become effective until the Surety(ies) receive(s) written authorization for termination of the bond by the Commissioner.

IN WITNESS WHEREOF, the Principal has executed this PERFORMANCE BOND and has affixed their seals on the date set forth above.

The persons whose signatures appear below hereby certify that they are authorized to execute this performance bond on behalf of the Principal and that the wording of this performance bond is identical to the wording provided by the Department.

NOTE: This bond is to be used for wells permitted by the Oil and Gas Program of the Tennessee Department of Environment and Conservation and for Class II wells permitted by the Underground Injection Control (UIC) Program. If any well covered by this bond is converted from use as an Oil and Gas well to use as a UIC well, or conversely, the surety must submit an amendment noting the new permit number.

PRINCIPAL

(Signature(s))

(Name(s))

(Title(s))

(Corporate seal)

CORPORATE SURETY(IES)

(Name and address)

State of incorporation: _____

Liability limit: \$ _____

(Signature(s))

(Name(s) and title(s))

(Corporate Seal)

(For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.)

ATTACHMENT NO. 1

(This attachment may be used when the bond is used to cover multiple wells.)

Permit and Bond List

<u>Permit No.</u>	<u>Well Use</u>	<u>Bond No.</u>	<u>Bond Type*</u>	<u>Bond Amount</u>
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*** Type of Bond:** Oil and Gas Plugging
Oil and Gas Reclamation
Class II UIC Plugging
Class II UIC Reclamation